

**REMARKS**

Please reconsider the application in view of the above amendments and the following remarks. Applicants thank the Examiner for carefully considering this application and for acknowledging that the formal drawings filed November 28, 2001 are acceptable.

**Disposition of Claims**

Claims 1-23 were pending in the present patent application. By way of this reply, claims 1-23 have been cancelled without prejudice or disclaimer. Also by way of this reply, claim 24-46 have been added. Accordingly, claim 24-46 are now pending in the present patent application. Claims 24, 37, and 40 are independent. The remaining claims depend, either directly or indirectly, from claims 24, 37, and 40.

**Claim Amendments**

By way of this reply, claims 24-46 have been added. Applicants respectfully assert no new matter has been introduced by way of these additions as support for these additions may be found, for example, in FIG. 2, paragraphs [0023], [0028], and [0030], and in the original claims as filed.

**Rejections under 35 U.S.C. §102**

Claims 19-23 stand rejected under 35 U.S.C. §102(e) as being unpatentable over U.S. Patent No. 6,889,325 (hereinafter “Sipman”). By way of this reply, claims 19-23 have been cancelled and thus the rejection is moot as to those claims. Accordingly, withdrawal of this rejection is respectfully requested.

**Rejections under 35 U.S.C. §103**

Claims 1-18 stand rejected under 35 U.S.C. §103(a) as being unpatentable over Sipman and U.S. Patent Publication No. 2002/0023032 (hereinafter “Pearson”). By way of this reply, claims 1-18 have been cancelled and thus the rejection is moot as to those claims. Accordingly, withdrawal of this rejection is respectfully requested.

**New Claims**

By way of this reply, claim 24-46 have been added. Applicants respectfully assert Sipman fails to teach or suggest at least the sequence of requests and responses using a first device and a second device to approve a transaction, as recited by independent claims 24, 39, and 47. Pearson discloses using a smart card to gauge the security of a payment terminal using an integrity metric. (*See, e.g.*, Pearson at paragraphs [0006], [0007], [0012]-[0014]). However, like Sipman, Pearson fails to teach or suggest at least the sequence of requests and responses using a first device and a second device to approve a transaction, and thus does not and cannot teach or suggest what Sipman lacks.

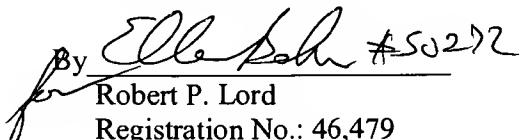
Accordingly, Sipman and Pearson, whether viewed separately or in combination, do not teach each and every limitation of independent claims 24, 37, and 40. Thus independent claims 24, 37, and 40 are patentable over Sipman and Pearson. Claims 25-36, 38, 39, and 41-46 depend, either directly or indirectly, from independent claims 24, 37, and 40 and are allowable for at least the same reasons.

**Conclusion**

Applicant believes this reply is fully responsive to all outstanding issues and places this application in condition for allowance. If this belief is incorrect, or other issues arise, the Examiner is encouraged to contact the undersigned or his associates at the telephone number listed below. Please apply any charges not covered, or any credits, to Deposit Account 50-0591 (Reference Number: 16159/031001).

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Respectfully submitted,

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